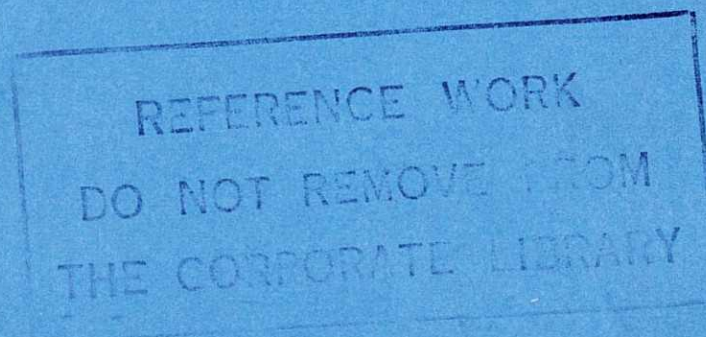


Report and Accounts

FOR THE YEAR ENDED 31st. MARCH 1965



BOOTS PURE DRUG COMPANY LIMITED

Notice of Annual Ordinary General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 15th day of July, 1965, at 12 o'clock noon.

The business of the meeting will be:

- (a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.
- (b) To declare a Dividend.
- (c) To elect Directors.
- (d) To fix the remuneration of the Auditors.
- (e) To transact any other business which may be dealt with at the Annual General Meeting.

Any member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead.
Dated this 17th day of June, 1965.

By Order of the Board,
H. T. MILNES,
Secretary.

Directors and Officers

Chairman W. R. NORMAN

Managing Director F. A. COCKFIELD

Deputy Managing Director K. D. WILLIAMSON

THE RT. HON. LORD COLERAINE, P.C.

R. C. M. DICKSON, M.P.S.

K. H. HARPER, M.P.S.

G. I. HOBDAY

SIR JAMES PITMAN, K.B.E.

M. J. VEREY

Secretary H. T. MILNES

Registered Office 37 STATION STREET, NOTTINGHAM

Bankers NATIONAL PROVINCIAL BANK LTD

Auditors PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Birmingham and London

Report of the Directors

for the year ended 31st March 1965

The Directors submit their Seventy-seventh Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1965.

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £13,932,145 compared with £11,597,199 for the previous year and after tax amount to £6,437,685 as against £5,445,711. The Net Profits of Boots Pure Drug Company Limited amount to £5,284,653 compared with £4,483,619.

The Directors recommend the payment of a Final Dividend of 8%, less tax, to Ordinary Shareholders on the register on 31st May, 1965. This together with the Interim Dividend already paid makes a total of 12%, less tax, for the year on the capital as increased by the one for two share issue of 16th July, 1964.

The details of Dividends paid and recommended, together with Appropriations made by the Directors, are shown in the Profit and Loss and Appropriation Account.

The Rt. Hon. Lord Coleraine, P.C., retires by rotation and offers himself for re-election. Mr. M. J. Verey was appointed to the Board with effect from 9th June, 1964, and in accordance with Article 84, retires and offers himself for re-election.

The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have intimated their willingness to continue in office and a resolution as to their remuneration will be proposed.

The Directors gratefully acknowledge the vital part played by the staff in bringing about these results.

By Order of the Board

H. T. MILNES, Secretary

17th June, 1965.

Statement by the Chairman Mr. Willoughby R. Norman

Sales

The optimistic sales forecast which we made this time last year has been realised, and the increase of 8.9% to £130 million for our world sales is larger than for the previous year. This reflects both the continued expansion of the National Economy with which the business is closely linked, the progress of our modernization programme with its massive capital expenditure, and the intensification of our own sales efforts.

Retail sales, including receipts for National Health and private dispensing, amounted to £119,279,000, an increase of 9.2%. By comparison the total retail sales for the country as a whole for the calendar year 1964 were 5% higher in value and 2% greater in volume. Business was good right through to the autumn. In October, following the General Election, there was a pronounced recession in retail trade and it was not until almost Christmas Eve that business suddenly picked up. The last-minute rush was so dramatic that it transformed the business for the whole Christmas period, and this revival in trade persisted right through until March 31st, the end of our financial year.

Profits and Dividend

Profit for the group before tax amounted to £13,932,145, an increase of 20%. This is the second year running that pre-tax profits have increased by 20%. The profit figure is struck after deducting additional depreciation on properties amounting to £163,000 following the property revaluation to which reference is made on page 7. This additional depreciation was charged at the end of the year and to that extent has distorted the picture as between the two half-years.

Profit represents 10.7% on turnover compared with 9.7% last year and 9.1% the year before. This improvement is due to improved efficiency of operation and not to price increases.

Tax absorbs £7,494,460 or 53.8% compared with £6,151,488 last year since when the standard rate of income tax has been increased by 6d. in the £. After an addition of profit for earlier years less tax, the consolidated profit after tax comes out at £6,857,634.

The final dividend proposed is 8% which together with the interim of 4% already paid makes a total of 12% for the year. This compares with 10% for the previous year after allowing for the scrip issue. The increase in dividend is thus in line with the increase in profits. This dividend is covered well over twice by available profits, after charging profits tax and income tax at the increased rate. On the basis of present knowledge the profit distributed and the profit retained should not be adversely affected by the introduction of Corporation Tax.

Accounts

After providing for the proposed dividend undistributed profits amount to £4 million. Depreciation charged amounts to £2½ million giving a total cash flow of £6½ million. Gross capital expenditure during the year amounted to approximately £7½ million compared with £4,842,000 in the previous year, this big increase being due primarily to the acceleration of our retail modernization programme.

During the year, for reasons already stated, the Preference Capital was repaid involving the sum of £1,597,000 and, even so, our cash at the year end amounted to £2,319,000. Our cash resources therefore remain fully adequate for our needs.

The capital expenditure during the year of £7½ million was divided as to £5½ million on the retail side of the business and £2 million on the wholesale side. The balance sheet reflects the surplus thrown up by the property revaluation, and the profit and loss account shows the changed rate of depreciation, both of which matters are dealt with more fully later in this report.

Publication of Information

This statement goes out to some 115,000 share and loan stock holders, of whom approximately 95% are individuals who own 75% of the equity and cover every part of the country and represent every interest, opinion, and circumstance. Some are big shareholders, many are small ones, some are new, many have owned their stake in the company for years. The remaining 5% are corporate bodies of every size and representing every activity. It is difficult to cater for such a diverse audience but my object is always to give



The complete modernisation of Boots branch in Regent Street, London was finished in June 1964. Seen here are sections of the new cosmetic department and the dispensary.

Statement by the Chairman—continued

shareholders the maximum amount of information and to try at the same time to make it as interesting as possible.

During the year we decided to publish half-yearly figures of sales and profit to 30th September, and these appeared early in November together with the announcement of the interim dividend, and this practice will be continued in future. I feel however that I must make the point that too much should not be read into figures which do not necessarily provide a guide to the results for the year as a whole. There is a marked seasonal pattern in the business making the results of the two half-years very unequal. Moreover there are many charges and adjustments which relate to the year as a whole and accurate apportionment between the two half-years may be difficult or impossible.

Our business is varied and complex. We are chemists—manufacturing, wholesale, and retail. The business is very highly integrated: we have our own factories: we buy and warehouse centrally: distribute by our own and contract transport: and sell through our own retail branches. While for reasons of history and convenience the business is organized through a number of companies it is only by looking at the consolidated accounts as a whole that a true picture of the activities of the business can be obtained.

In addition to this main core of our business, we sell our products at wholesale both at home and abroad and we have a number of subsidiary companies operating overseas. Further information about these activities is given later, and a list of our active subsidiaries, at home and abroad, is appended to this report.

Revaluation of Shop properties

In view of the increase in shop property values which had occurred since the last revaluation in 1958, the Board decided that a further revaluation should be made. This extended to all freehold shop properties and leasehold shops with more than 21 years unexpired. Factories, warehouses and offices were not revalued.

The revaluation has revealed a surplus of £11,822,000 which is included in the balance sheet. In arriving at the profits, depreciation has been charged on the new values but the rate of depreciation on freehold shops has been reduced from 1½% to 1%. As depreciation is calculated on total value including site, this figure is in our opinion and that of our professional advisers fully adequate. Other depreciation rates have not been changed. The additional depreciation charged this year as a result of the revaluation amounts to £163,000 as already stated.

In addition to providing shareholders with up-to-date information about the value of the assets held by the Company, the effect of the revaluation is to present a more accurate picture of the percentage profit earned on capital employed, both for the information of shareholders and as a guide to management inside the business.

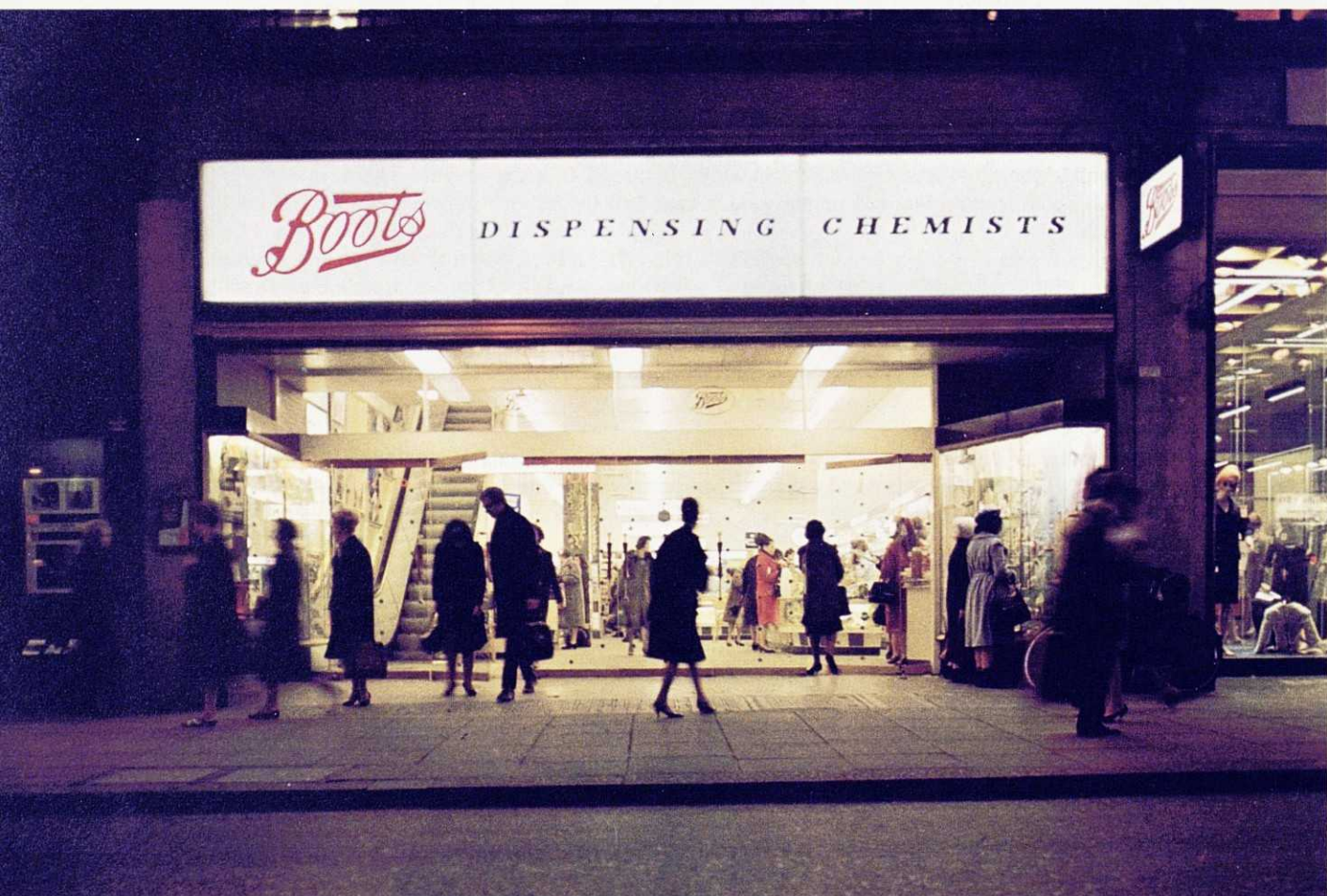
With the properties at the new values, the profit earned as a percentage of capital employed for the year just ended was 19%. This is a satisfactory rate of return. It compares with a figure of 12·4% earned in 1957-58 (when properties were last revalued) and this is some measure of the progress we have made over this period.

Retail and Dispensing Business

As I forecast last year, the quickened tempo of our modernization programme has resulted in a record number of completed modernizations. With the help of 'Quickfit', our operation directed to the speedy modernization of the sales areas of smaller branches, a total of 254 shops have been brought up-to-date during the past twelve months. This compares with 123 shops in the previous year and it means that we will now virtually complete our modernization programme in two to three years time.

New shops have been completed at Long Eaton, Luton, Woolwich, Altrincham, Bedminster, Sheffield (The Moor), West Byfleet and Birmingham (Bull Ring), and large-scale alterations have been carried out at Cardiff, Leeds (Briggate), Plymouth, Crewe, Maidstone and Inverness.

A planned expenditure of a further £4½ million during the forthcoming year will enable us to modernize a further 260 shops including many important branches, such as those in Edinburgh (Princes Street), Reading, Southport, Preston and Shrewsbury. Large new shops will be opened in Coventry, Peterborough, Chester, Newport (Monmouthshire), and our first branch in Northern Ireland in Belfast.



The modernisation at the Regent Street branch, which now has 12,850 sq. ft. of selling space, included a new shop front, an escalator, a new staircase, and full air conditioning. Shown on this page are the pottery and costume jewellery sections of the upper sales floor, and the new shop front at dusk.

The many studies of trading potentials that we have now completed indicate a large number of further opportunities for representation and expansion, opportunities which we are able and willing to take.

The importance of dispensing to our business cannot be too strongly emphasised. All our managers are pharmacists and thus professionally qualified. They therefore bring to their work the high standards of responsibility and service that this implies, and in this they are ably supported by their pharmacist colleagues not yet in management. The shareholders will I know join the Directors and myself in expressing our appreciation of all they do. In return it is our endeavour to provide them with a really worthwhile career, properly remunerated, and with good prospects of promotion. Many of the highest posts in the Company including a number on the Executive Committee and the Board of Directors are occupied by pharmacists.

During the year negotiations with the Ministry of Health regarding remuneration under the National Health Service in England and Wales were brought to a conclusion and a more realistic scale of remuneration was agreed. In Scotland negotiations still continue.

Prescription charges were abolished on 1st February 1965, having been in force for nearly 14 years. There can be little doubt that the prescription charges reduced the number of prescriptions. Obviously where the item cost less than 2/- a prescription would not normally have been written. Following the removal of the charges the number of prescriptions dispensed has increased, but it is too early yet to say with any confidence what the permanent effect is likely to be.

Including private prescriptions, which also show a steady increase, the total value of all prescriptions we dispensed last year was about £19 million.

A five-day, forty-hour week for most of our retail staff was introduced on 1st February, 1965. The scheme operates simply, and we think that it has enabled us to keep our service up to the high standards which we always try to set. We designed it both to meet the company's professional obligations under the National Health Service and so as not to interfere in any way with the existing shopping hours of the public for their medicinal, surgical and other needs. Subsequent experience has shown that it has proved very popular with our staff.

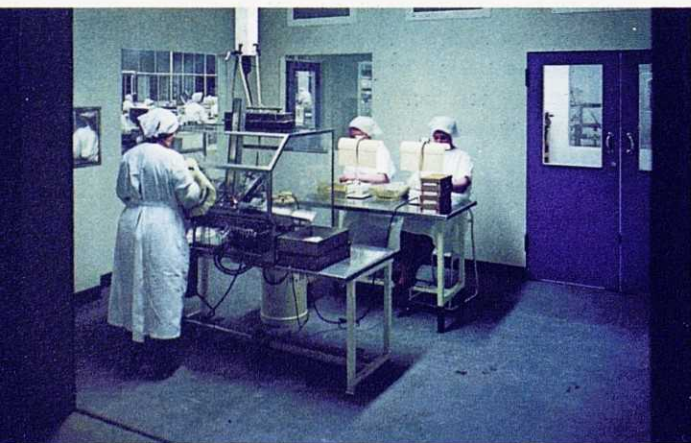
Unfortunately because of the national shortage of pharmacists most of our managers cannot themselves share in this improvement in conditions of service. We are particularly grateful to them for having done so much to make the scheme a success.

Home Wholesale Business

Home wholesale business last year amounted to just under £4 million. While this is not large in relation to our total business, it is far from insignificant and it forms an important channel of distribution for the products of our factories. Our sales of prescription products and pharmaceuticals to other chemists have continued to increase. So far as our contract manufacture is concerned, we have to face a situation where if our customer is successful and his business expands the point is ultimately reached where it is economic for him to establish his own manufacturing plant. As a result there tends, over a period of years, to be a constant 'turnover' of manufacturing contracts. We have secured a number of new contracts providing expanding business but this has not yet been sufficient to offset the reductions due to other customers going in for manufacture on their own.

Bulk sales of saccharin in the United Kingdom by the British Saccharin Sales Company which we own jointly with Monsanto Chemicals Limited have continued to expand. Saccharin is an effective sweetening agent which has been in widespread use for over sixty years. It is of especial value in cases of diabetes and other conditions where strict control of sugar intake is essential, and it is finding increasing use in the field of dietetics.

During the year we embarked upon a major re-organization of our business with the farming community. Our intention in future is that the sale and distribution of agricultural products, both of our own manufacture and factored merchandise, should be handled by Boots Farm Sales Limited, which will be in more direct contact with the farmer. As the new organization is extended our Retail Chemist shops will gradually cease to handle farming lines in bulk.



Operating-theatre cleanliness for drugs packaging. Products such as Insulin, eye ointments and anæsthetics are now packed at Beeston in a new sterile products section. Some of the packaging operations in progress are seen here through specially-built viewing windows.

The first region of the new organization started operating in November 1964 and is now forging ahead gaining new customers and additional sales. Four more regions will be in operation by October of this year and the remaining four during the early part of 1966. Many farmers have expressed their appreciation of a regular and guaranteed delivery service which now supports a trained and experienced sales force.

Overseas Business

Direct exports for the year increased by 8% to a total of £2½ million. The biggest sales increases have come from medicinal, agricultural and veterinary products. Sales of potassium permanganate from the new plant completed in 1963 show a considerable increase both at home and overseas, these sales being handled by Boots-Ketjen Limited.

Our main problems so far as exports are concerned lie in registration difficulties and import control. This is illustrated by the fact that less than a quarter of our exports now go to our own overseas companies and in turn goods exported from Nottingham represent only one quarter of the sales of our overseas companies. Increasingly we are having to manufacture overseas the goods we wish to sell overseas.

Particulars of our overseas companies are included in the list appended to the report. Except for Boots-Formenti (which is a sales organisation operating in Italy, as yet on a very modest scale) all our overseas companies are 100% owned. Before long, however, the Indian company will be only 60% owned, as a condition for the licence to manufacture insulin was participation of Indian capital. The two largest companies are in India, with sales of just under £1½ million, and Australia, with sales of just over £1¼ million.

The insulin plant in India is in production and further extensions of our manufacturing facilities are being planned. In Australia building work has now started on a new factory, warehouse and office building at North Rocks, Sydney as our present facilities are being outgrown. The plant should be in production in 1966.

In Pakistan we have come to an agreement with distinguished Pakistani associates for the establishment of a joint company. A new factory will be built in Karachi and a range of Boots products will be manufactured for sale in that country.

Total sales of our overseas companies in the year amounted to £4,300,000 which is an increase of 14% with profits before tax of just under £½ million.

We rely in very large measure on the Boards of Directors and staff of our overseas companies, on our agents throughout the world and on our associates in business for the success of our operations overseas. On behalf of the parent company I should like to thank them all.

Prices

With the passage of the Resale Prices Act (which subject to certain safeguards is designed to terminate Resale Price Maintenance) there has been a considerable amount of price-cutting particularly in the field of razor blades, tissues and inexpensive toiletries. While it is, and remains, our policy not to initiate price-cutting, we cannot tolerate our market being captured by other people by this means, nor can we offer our customers inferior value to what they can get elsewhere. Our policy, therefore, is always to be competitive. For many years we have largely succeeded in absorbing increases in labour costs by way of higher efficiency, but a real problem arises with the ever increasing costs of raw materials, transport charges, fuel, rents and rates.

We feature especially lines of our own manufacture and lines exclusive to us which offer exceptional value, frequently at prices below much advertised price-cuts. We held three special sales promotions last year, in May, October and January which were conspicuously successful. The public have a keen eye for value and quality and we are determined to ensure that they obtain it when shopping at Boots.

Research

The committee of enquiry, under the chairmanship of Lord Sainsbury, which has been set up by the Government to examine the relationship of the pharmaceutical industry in Great Britain with the National Health Service, has been welcomed by the industry generally. An impartial enquiry will, I am confident,



A new approach to agricultural products marketing began in November, 1964 with the opening of the first depot of Boots Farm Sales Ltd. at Newark. The new service will eventually offer fast factory-to-farm deliveries throughout the country, via depots specially designed and situated for farmers' convenience, well away from town-centre traffic.

help to put into proper perspective the extremely valuable contribution which the pharmaceutical industry makes to the well-being of this nation, and will serve to dispel much of the ill-informed and biased criticism which has been levelled against it. The committee's terms of reference quite properly include the relevance and value of research, since an adequate and correctly orientated scientific contribution is essential if the industry is to provide both for the chemotherapeutic needs of the home medical services and also to support the country's export trade. The cost of drugs used in the National Health Service has not risen disproportionately—it has remained at one-tenth of the total cost of the service since its beginning in 1948.

The contribution which new drugs have made in saving life and reducing absence from work is immeasurable. But these new drugs can be found only by scientific research and the cost of this work is ever increasing as the standards of safety and efficacy rise to the highest possible levels. Almost all the discoveries and developments of new drugs have been made by industrial concerns and the cost of such work must, therefore, come from the profits of their operations. It is disturbing to note that the level of pharmaceutical research expenditure in this country is not increasing proportionately to the value of the output. This trend will put the British pharmaceutical industry at an increasing disadvantage with its overseas competitors. It is wrong that we should be beholden to other countries and particularly to America for progress in this field.

From our own point of view as a company the success of our manufacturing enterprise depends on a flow of new products from research and development, both for the home and overseas markets. We are now spending about £1 million a year on research and development; much of this is necessarily in the nature of a long-term investment since the results of research are rarely immediate or dramatic. We have now completed the re-housing of our central research facilities; the Chemical Sciences building which has just come into operation, and the Biological and Medical Sciences building which was completed a few years ago, have together involved a capital investment of over £1¼ million.

Conclusion

The number of staff in the United Kingdom on 31st March was 39,401. This is a small reduction compared with the previous year, and should be compared with the increase of 8.9% in turnover. This means that in money terms output per head improved by about 9%. The total number of staff has changed very little since 1958 when the total was 362 less while during the same period turnover has increased by more than 60%. This is, I feel, the clearest indication of the steady rise in productivity we have been able to achieve. It is, too, a tribute to the willing co-operation of our staff in accepting and making a success of new methods, new processes and new equipment, all of which are essential if progress is to be achieved. The success of our organization depends on the quality of the people working in it, and on behalf of the Directors I should like to thank every member of our staff, at every level and wherever they may be, for their contribution to the year's results.

During the year Mr. M. J. Verey, a managing director of Messrs. J. Henry Schroder, Wagg joined the Board. He already had some knowledge of our affairs as his company act as financial advisers to our Life Assurance Society and two Pension Funds, and look after the £30 million of their investments, and we now welcome this closer association in which his experience will be of increasing value to us.

We finished the year on a strong note and the same trend is continuing. During the current year we expect the abolition of resale price maintenance to have increasing effect and competition generally to become stronger. Much, too, will depend on whether the economy of the country remains buoyant in spite of current economic and political troubles, but with our new and bigger shops selling a wide range of merchandise of exceptional value my colleagues and I are confident about the present year. Longer-term prognostication is not possible because of the large number of variables, but I can assure shareholders that everything within the business is in good heart and we are always looking ahead to try and anticipate the requirements of an ever-changing world.

Report of the Auditors

to the Members of Boots Pure Drug Company Limited

We have audited the Balance Sheet on pages 18 and 19 and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith. We have examined the Consolidated Balance Sheet on pages 16 and 17 and the Consolidated Profit and Loss and Appropriation Account on page 15. The accounts of certain Overseas Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and Consolidated Accounts, together with the Notes on pages 20, 21 and 22 comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1965, and a true and fair view of the state of affairs and of the profit of the Group.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

BIRMINGHAM & LONDON

10th June, 1965.

Dates to note

Dividend and Interest Payments

Ordinary dividends	Interim	<i>Announced early November. Paid early January.</i>
	Final	<i>Proposed mid May. Paid mid July.</i>
Loan Stock interest		<i>Paid end of June, September, December and March.</i>

Results

First half-year results	<i>Announced early November</i>
Results for the year	<i>Announced mid May.</i>
Report and Accounts	<i>Circulated mid June.</i>

Consolidated Profit and Loss and Appropriation Account

for the year ended 31st March 1965

(Incorporating the results of the United Kingdom Subsidiaries for the year ended 31st March, 1965 and of the Overseas Subsidiaries for the year ended 31st December, 1964)

	1965		1964	
	£	£	£	£
Profits of Boots Pure Drug Company Limited and of its Subsidiaries before charging Profit Earning Bonus for Staff		15,226,388		12,674,534
<i>Deduct</i> Profit Earning Bonus for Staff		<u>1,294,243</u>		<u>1,077,335</u>
Consolidated Profits before Tax		13,932,145		11,597,199
<i>Deduct</i> Provision for Tax on Profits of the year—				
Overseas Tax	281,323		227,562	
United Kingdom Profits Tax	1,900,320		1,649,000	
United Kingdom Income Tax	4,933,523		4,178,547	
		<u>7,115,166</u>		<u>6,055,109</u>
<i>Add</i> Deferred Tax provided	379,294		96,379	
		<u>7,494,460</u>		<u>6,151,488</u>
		6,437,685		5,445,711
<i>Add</i> Profit for earlier years <i>less</i> United Kingdom Taxation thereon		<u>419,949</u>		<u>—</u>
Consolidated Profits after Tax		6,857,634		5,445,711
Net Profits of the Group				
Profits retained by Subsidiaries	1,572,981		962,092	
Profits of Boots Pure Drug Company Limited	5,284,653		4,483,619	
		<u>6,857,634</u>		<u>5,445,711</u>
Dealt with as follows				
Dividends (<i>less</i> tax) for the year—				
On Preference and Preferred Ordinary Shares (already paid)	59,259		59,259	
On Ordinary Shares—				
Interim of 4% (already paid)	940,800		627,200	
Final Dividend proposed of 8% making a total of 12%	1,804,800		1,724,800	
		<u>2,804,859</u>		<u>2,411,259</u>
Profits retained in the Group and included in Revenue Reserves—				
Subsidiaries	1,572,981		962,092	
Boots Pure Drug Company Limited	2,479,794		2,072,360	
		<u>4,052,775</u>		<u>3,034,452</u>
		<u>£6,857,634</u>		<u>£5,445,711</u>

Consolidated Balance Sheet 31st March 1965

(Incorporating United Kingdom Companies as at 31st March 1965 and Overseas Subsidiaries as at 31st December 1964)

SHAREHOLDERS' FUNDS AND LIABILITIES

1965

1964

	£	£	£	£
Capital of Boots Pure Drug Company Limited, Issued and Fully Paid:				
Preference and Preferred Ordinary Shares (Note 9)	—		1,400,000	
Ordinary Shares of 5/- each	38,400,000		25,600,000	
	<u>38,400,000</u>		<u>27,000,000</u>	
Capital Reserves		13,736,958		2,156,533
Revenue Reserves		11,664,299		20,487,315
		<u>63,801,257</u>		<u>49,643,848</u>
6% Loan Stock 1978-83		2,065,866		2,065,866
Interest of Minority Shareholders in Subsidiary Companies		5,307		557
Provisions:				
Pensions	927,426		1,020,000	
Income Tax (Schedule D) for the Fiscal Year to 5th April, 1966	5,078,600		4,269,000	
Deferred Tax in respect of Capital Expenditure	1,577,755		1,132,670	
	<u>7,583,781</u>		<u>6,421,670</u>	
Current Liabilities:				
Trade Creditors, Apportionments and Tax	16,502,262		13,529,285	
Amount due to Bankers	172,396		105,614	
Final Dividend on Boots Pure Drug Co. Ltd. Ordinary Shares	1,804,800		1,724,800	
	<u>18,479,458</u>		<u>15,359,699</u>	
	<u>£91,935,669</u>		<u>£73,491,640</u>	

The notes on pages 20, 21 and 22 form part of the Accounts

ASSETS

1965

1964

£

£

£

£

Fixed Assets:

Properties as independently valued or at Cost (Note 10):

Freeholds 35,337,060 26,286,759

Leaseholds 11,854,579 8,625,197

Fittings and Plant at Cost 27,786,618 24,758,688

————— 74,978,257 ————— 59,670,644

Less Provision for Depreciation and Amortisation:

Freeholds 2,014,651 2,946,628

Leaseholds 1,428,208 2,319,585

Fittings and Plant 12,873,614 12,050,268

————— 16,316,473 ————— 17,316,481

————— 58,661,784 ————— 42,354,163

Investments:

Trade Investments at Cost, /less amounts written off

10,702

11,078

Differences arising on consolidation through accounting years of Holding Company and Overseas Subsidiaries not ending on the same date

37,296

37,298

70,851

Current Assets:

Stock-in-Trade 23,837,740 21,959,902

Trade Debtors and Apportionments, /less provision 6,897,071 5,450,962

Tax Reserve Certificates — 1,000,000

Cash at Bankers and in hand 2,491,076 2,644,684

————— 33,225,887 ————— 31,055,548

—————
£91,935,669

—————
£73,491,640

W. R. NORMAN
F. A. COCKFIELD

Directors

Balance Sheet 31st March 1965

SHAREHOLDERS' FUNDS AND LIABILITIES

1965

1964

		£	£	£	£
Capital Authorised	Preference and Preferred Ordinary Shares (Notes 8 and 9)	—		1,400,000	
	Ordinary Shares of 5/- each	50,000,000		38,600,000	
		<u>50,000,000</u>		<u>40,000,000</u>	
Capital Issued and Fully Paid:	Preference and Preferred Ordinary Shares (Note 9)	—		1,400,000	
	Ordinary Shares, 5/- each	38,400,000		25,600,000	
		<u>38,400,000</u>		<u>27,000,000</u>	
Capital Reserve			3,251,434		749,823
Revenue Reserve			5,708,007		12,081,721
			<u>47,359,441</u>		<u>39,831,544</u>
6% Loan Stock 1978-83			2,065,866		2,065,866
Provisions	Pensions	507,426		600,000	
	Income Tax (Schedule D) for the Fiscal Year to 5th April, 1966	4,175,000		3,694,000	
	Deferred Tax in respect of Capital Expenditure	917,097		664,714	
		<u>5,599,523</u>		<u>4,958,714</u>	
Current Liabilities	Trade Creditors, Apportionments and Tax	13,088,804		11,064,823	
	Amounts due to Subsidiaries	5,600		5,600	
	Final Dividend recommended on Ordinary Shares	1,804,800		1,724,800	
		<u>14,899,204</u>		<u>12,795,223</u>	
			<u>£69,924,034</u>		<u>£59,651,347</u>

The notes on pages 20, 21 and 22 form part of the Accounts

ASSETS**1965**

1964

£

£

£

£

Fixed Assets:

Properties as independently valued or at Cost (Note 10):

Freeholds	17,525,849	14,518,085
Leaseholds	1,246,092	1,226,581
Fittings and Plant at Cost	13,369,388	12,513,638
	<u>32,141,329</u>	<u>28,258,304</u>

Less Provision for Depreciation and Amortisation:

Freeholds	1,975,719	1,891,491
Leaseholds	257,833	280,349
Fittings and Plant	8,190,192	7,832,966
	<u>10,423,744</u>	<u>10,004,806</u>
	21,717,585	18,253,498

Investments:

Ordinary Shares in Subsidiaries at par, /less provision	10,531,545	10,512,580
Loans to Subsidiaries	9,642,000	917,019
Trade Investments at Cost, /less amounts written off	50	50
	<u>20,173,595</u>	<u>11,429,649</u>

Current Assets:

Amounts due by Subsidiaries	10,991,044	14,202,310
Stock-in-Trade	10,319,539	9,114,287
Trade Debtors and Apportionments, /less provision	4,978,312	3,606,344
Tax Reserve Certificates	—	1,000,000
Cash at Bankers and in hand	1,743,959	2,045,259
	<u>28,032,854</u>	<u>29,968,200</u>

£69,924,034£59,651,347

W. R. NORMAN
F. A. COCKFIELD

Directors

Notes on the Accounts

these form part of the Accounts

1 (a)

The Group Profits have been arrived at after taking credit for Income from Trade Investments £884 (£968) and after charging the following expenses:

	1965	1964
	£	£
Depreciation of Properties	964,159	759,623
Depreciation of Fittings and Plant	1,568,409	1,480,410
	<u>2,532,568</u>	<u>2,240,033</u>
Loan Stock Interest	123,952	123,952
Remuneration of Auditors	13,180	12,044
Companies' Payments to Pension Funds: Ordinary Contributions	842,421	767,950
Annual Payments for past service	109,079	113,672

(b)

Depreciation charges in respect of the revalued properties have been calculated on the basis of the new valuation.

(c)

The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

	1965	1964
	£	£
Directors' Fees	10,150	10,500
Other emoluments, including contributions under approved Pension Schemes	221,028	212,164
Pension paid to a past Director	1,000	1,000
	<u>£232,178</u>	<u>£223,664</u>

(d)

The 'profit for earlier years' included in the Consolidated Profit and Loss Account, amounting to £419,949, relates to back payments under the National Health Service.

2.

Investment Allowances have reduced the Tax charge by £705,000 (last year £469,000).

3.

The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1965.

4.

The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.

5.

The overdrafts of certain Overseas Subsidiaries amounting to £172,396 at 31st December, 1964, were secured on the stock-in-trade of the Subsidiaries.

6.

No provision has been made for Taxation liabilities which would arise on the distribution of profits retained by Overseas Subsidiaries.

7.

Deferred Tax Provision represents taxation on the excess of Capital Allowances (other than Investment Allowance) over the comparative depreciation charged against profits.

8.

On 16th July 1964 the Authorised Share Capital of Boots Pure Drug Company Limited was increased from £40,000,000 to £50,000,000 by the creation of 40,000,000 additional Ordinary shares of 5/- each, and following the capitalisation of £12,800,000 from reserves one new Ordinary share was issued for every two existing Ordinary shares held.

9.

In accordance with a Resolution of the Ordinary and "A" Preference Shareholders of Boots Pure Drug Co. Ltd., confirmed by the Court on 22nd March 1965 and taking effect on 31st March 1965, the 1,400,000 Preference and Preferred Ordinary shares were redeemed for cash, the 6% at a premium of 1/- and the 7% at a premium of 3/-: the premium and expenses of redemption have been deducted from Capital Reserve Account. At the same time the Authorised Share Capital of the Company was increased by a corresponding amount so that it now remains at £50,000,000 in Ordinary Shares.

10.

The Shop properties of the Group in the United Kingdom, other than leaseholds in which the Group's interest was less than 21 years unexpired, were valued by Messrs. Healey & Baker as at 31st March 1965 at £34,082,650, properties in course of construction being valued as if completed. Certain fittings and plant were included in the valuation. The values stated in the Balance Sheet of the Parent Company and in the Consolidated Balance Sheet have been arrived at as under:

	Boots Pure Drug Co. Ltd.		Consolidated	
	<i>Freehold</i>	<i>Leasehold</i>	<i>Freehold</i>	<i>Leasehold</i>
	£	£	£	£
Valuation	5,181,100	134,000	23,865,300	10,217,350
<i>Less Estimated cost to complete</i>	—	—	566,380	798,676
	5,181,100	134,000	23,298,920	9,418,674
<i>Less Adjustment for Fittings and Plant</i>	—	—	1,145,353	1,216,484
	5,181,100	134,000	22,153,567	8,202,190
<i>Add Properties not revalued in 1965 (included at 1958 valuation, or at cost)</i>	12,344,749	1,112,092	13,183,493	3,652,389
Balance Sheet Values	£17,525,849	£1,246,092	£35,337,060	£11,854,579

The surplus revealed by the valuation, after making the adjustments set out above, amounted to £2,745,034 in the case of Boots Pure Drug Co. Ltd. and £11,822,579 in the case of the Group. This surplus has been transferred to Capital Reserve.

Notes on the Accounts—continued

11.

Movements of the Reserves since 31st March, 1964, are as follows:

	<i>Boots Pure Drug Co. Ltd.</i>	<i>Subsidiaries</i>	<i>Consolidated</i>
	£	£	£
Capital Reserves:			
At 31st March, 1964	749,823	1,406,710	2,156,533
	<i>Add:</i>		
Surplus on sales of properties	22,540	78,269	100,809
Surplus on revaluation of properties at 31st March, 1965 (Note 10)	2,745,034	9,077,545	11,822,579
Scrip Issue of shares by an Overseas Subsidiary	10,000	—	10,000
	3,527,397	10,562,524	14,089,921
	<i>Deduct:</i>		
Cost of Property revaluation, stamp duty on increase of Authorised Capital and cost of Scrip Issue	71,669	77,000	148,669
Premium on Preference and Preferred Ordinary Shares redeemed and expenses	204,294	—	204,294
At 31st March, 1965	£3,251,434	£10,485,524	£13,736,958
Revenue Reserves:			
At 31st March, 1964	12,081,721	8,405,594	20,487,315
	<i>Add:</i>		
Undistributed profits from Appropriation Account	2,479,794	1,572,981	4,052,775
Special dividend from United Kingdom Subsidiaries to Parent Company	4,000,000	4,000,000	—
	18,561,515	5,978,575	24,540,090
	<i>Deduct:</i>		
Amount capitalised by Scrip Issue of 16th July, 1964	12,800,000	—	12,800,000
Reserves capitalised by an Overseas Subsidiary Company	—	10,000	10,000
Transfer to Deferred Tax Provision	53,508	12,283	65,791
At 31st March, 1965	£5,708,007	£5,956,292	£11,664,299

12.

Outstanding contracts in respect of capital expenditure are estimated at £1,233,000 for Boots Pure Drug Company Limited and £3,306,000 for the Subsidiaries, making a total of £4,539,000 for the Group.

The Ten Year Record

This table expresses in figures the progress made by Boots at home and overseas in the last ten years

in thousands of £'s

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
World Sales	67,848	73,692	80,302	83,858	90,615	99,690	106,624	111,117	119,304	129,976
Profits before Tax	4,079	4,433	5,057	4,998	7,561	8,826	9,271	9,645	11,597	13,932
Profits after Tax	1,820	1,841 136‡	2,095	2,442	3,826	4,263	4,340	4,601	5,446	6,438 420‡
Net Preference Dividend	56	56	56	56	59	59	59	59	59	59
Net Ordinary Dividend	824	942	1,060	1,226	1,646	1,882	1,882	2,038	2,352	2,746
Net Undistributed Profits	928	962	968	1,150	2,118	2,322	2,399	2,504	3,035	4,053
Depreciation Charged	1,014	1,086	1,369	1,468	1,593	1,760	1,839	1,994	2,240	2,533
Capital Expenditure (Gross)	2,781	2,439	2,454	2,759	3,047	3,410	4,373	5,110	4,842	7,484
Capital Employed	26,352	27,819	41,900	42,944	46,220	48,832	51,468	54,177	58,132	73,456
Profits as % of Capital employed	15.9%	16.4%	12.4%	11.9%	16.6%	18.3%	18.3%	18%	20.2%	19.1%
Ordinary Capital	10,240	10,240	10,240	12,800	12,800	25,600	25,600	25,600	25,600	38,400
Ordinary Dividends %	14%	16%	18%	16%	21%	12%	12%	13%	15%	12%
Equivalent % allowing for Scrip Issues	3.7%	4.3%	4.8%	5.3%	7%	8%	8%	8.7%	10%	12%
Amount of Profit Earning Bonus	244	297	415	464	702	820	861	896	1,077	1,294
Number of Staff in United Kingdom (full-time equivalents)	37,016	37,154	39,039	39,345	39,344	39,606	40,181	39,936	39,473	39,401
Number of Branches	1,320	1,318	1,310	1,313	1,307	1,305	1,298	1,290	1,284	1,270

‡ Profits attributable to earlier years.

The figures of sales represent sales to persons outside the Group; sales by Overseas Subsidiaries are included but sales by the Home Companies to the Overseas Companies are excluded.

To give a true comparison, the profit figures have been adjusted for all years to the basis now employed. No deduction has been made for Loan Stock or for provisions in computing capital employed. Similarly, in arriving at profit as a percentage of capital employed, Loan Stock interest has not been deducted. The figures reflect the results of the property revaluations in 1958 and 1965 and the redemption of the Preference Shares at 31st March, 1965. The ordinary capital reflects the scrip issues in the years to 31st March, 1956 (one for one), 1959 (one for four), 1961 (one for one), and 1965 (one for two).

Principal active Subsidiary and Associated Companies

Wholly owned except as otherwise indicated

Incorporated in United Kingdom :

Boots The Chemists (Eastern) Ltd.
Boots The Chemists (Lancashire) Ltd.
Boots The Chemists (Western) Ltd.
Boots The Chemists (Southern) Ltd.
Boots The Chemists (Northern) Ltd.
Boots Farm Sales Ltd.
Boots-Ketjen Ltd. (60%)
British Saccharin Sales Ltd. (50%)

Incorporated overseas :

New Zealand	Boots The Chemists (New Zealand) Ltd.
South Africa	B.P.D. Manufacturing (Pty.) Ltd.
South Africa	B.P.D. (South Africa) (Pty.) Ltd.
India	Boots Pure Drug Co. (India) Private Ltd.
Pakistan	Boots Pure Drug Co. (Pakistan) Ltd.
Australia	Boots Pure Drug Co. (Australia) Pty. Ltd.
Nigeria	Boots Pure Drug Co. (Nigeria) Ltd.
Malaysia	Boots Pure Drug Co. (Far East) Ltd.
Italy	Boots-Formenti S.p.A. (55%)



BOOTS PURE DRUG COMPANY LIMITED